

# Kentucky Employees' Health Plan (KEHP) RFP Pre-Issuance Conference **Medical TPA**

Personnel Cabinet,

Department of Employee Insurance



# 2005/2006 RFP

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- An RFP for the 2006 plan year was released, marking a dramatic change in the Commonwealth's strategy for providing employee healthcare benefits.
- This RFP solicited bids for:
  - A single vendor to provide Third Party Administration (TPA) services on a state-wide basis;
  - A single vendor to provide Pharmacy Benefits Administration (PBA) services on a state-wide basis; and
  - A single vendor to provide administrative services for Flexible Spending Accounts (FSA), HIPAA and COBRA.
- The contract for these services was to be awarded to the vendor for medical TPA services, but was structured as a separate contract to provide flexibility to the Commonwealth in future years.

# 2005/2006 RFP

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- The Commonwealth moved from a program that had historically been fully-insured to a program that was self-insured statewide.
- Emphasis was placed on experience with a large employer group, having at least 100,000 covered lives.
- A national provider network was also critical to a successful bid, to ensure adequate provider networks for out-of-state retirees.
- To provide further emphasis to this change in direction, the plan was given a name change, and is now called the “Kentucky Employees’ Health Plan.”



# 2005/2006 RFP

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- Contracts were awarded and signed as follows:
  - Humana was awarded a contract for medical claims administration.
  - Humana was also awarded a contract for administration of Flexible Spending Accounts, Wellness, HIPAA and COBRA.
  - Express Scripts was awarded a contract for pharmacy benefits administration.
  - The contracts were effective January 1, 2006 through June 30, 2008 and may be extended for 8 additional 1 year renewals.

# KEHP Current Demographics

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- Self-Insured since 2006
- \$1.8 Billion Dollar Total Plan Annual Spend
- 156,000 Plan Holders (269,000 covered lives), made up of active employees and pre-65 retirees
- Mostly Kentucky residents but also retired members outside of Kentucky

## KEHP



# Current Medical TPA Services

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Below are the current services:

- Self-insured Medical Claims Third Party Administration Network service
- Medical claims administration
- Wellness Programs
- Health coaching
- Medical Management (disease management, case management, behavioral health management, utilization review/certification, etc.)
- Flexible Spending Account and Health Reimbursement Arrangement Administration
- Appeals
- COBRA and HIPAA Administration

# Tentative list of Medical TPA Services for RFP

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- Self-insured Medical Claims Third Party Administration Network service
- Medical claims administration
- Wellness Programs
- Health coaching
- Medical Management (disease management, case management, behavioral health management, utilization review/certification, etc.)
- Flexible Spending Account and Health Reimbursement Arrangement Administration
- Transparency
- Appeals
- COBRA and HIPAA Administration

# Plan Experience

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- In 2012
  - Medical costs account for 76% of total spend, total medical plan spend was approximately \$1.3 billion including medical and HRA claims, and administrative fees.
  - The KEHP paid claim structure has remained stable in recent years. Approximately 23% of claimants accounted for about 80% of claims costs.
  - From 2010 to 2011, utilizations for inpatient, outpatient and professional services all decreased but the average costs of service increased at a higher rate, resulting in upward overall cost trend for all service types that were still below industry norms. Average cost for outpatient claims increased at the highest rate, making it the highest trend driver.
  - The top ten Major Diagnostic Categories account for almost 80% of claim costs.



# 2013 Kentucky Group Health Board

## Guiding Principals

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- Provide uniform coverage across the Commonwealth.
- Encourage wellness and healthy lifestyles.
- Provide preventive care at no cost.
- Strive to hold down costs for family and dependent coverage, while balancing the management of the single subscriber's (plan holder's) premium levels as top priority.
- Improve chronic disease care.
- Educate members about plans that are more appropriate for their health needs.
- Provide members with quality PPO and Consumer Directed options.
- Provide plan alternatives that are accessible for retirees.

# 2014 KEHP Priorities

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- Ensure quality care is available at a reasonable cost for employees and KEHP.
- Offer a choice of plans that meet members' needs.
- Improve the health of employees and their families.
- Improve health literacy among plan members.
- Instill a sense of consumerism among plan members.
- Promote prevention, health improvement, and disease management;
  - Health Risk Assessment completion.
  - Easy access to preventive care.
  - Robust wellness and lifestyle improvement programs (coaching, tools, classes).
  - Chronic disease support through coaching, biometrics, and basic monitoring.

# 2014 LivingWell Promise

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## What is the LivingWell Promise?

- If the member chooses one of the KEHP LivingWell plans, they are making a LivingWell Promise and agree to:
  - Complete online Health Assessment between **January 1,**

**2014–May 1, 2014**

- Keep contact information (i.e., mailing address, phone number, and email) current in KHRIS or, if a retiree, keep contact information current with your retirement system.

# LivingWell Promise

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- If you elect a LivingWell plan option in 2014, and fail to fulfill the LivingWell Promise, you will not be permitted to elect a LivingWell plan option in 2015
  - Stated another way, if you fail to fulfill the LivingWell Promise in 2014, you will only be eligible for the Standard (not LivingWell) plan options in 2015.
- If you are unable to fulfill the LivingWell Promise because of a physical or mental health condition, KEHP will work with you to develop an alternative way to qualify for either LivingWell Plan option.

# 2014 KEHP Options

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## LivingWell Consumer Driven Health Plan (CDHP)

- LivingWell Promise is required.
- Highest actuarial value plan.
- Similar plan to 2013 Maximum Choice.
- Plan covers 100% in-network preventive care.
- Features an employer-funded HRA that can be used to reduce the deductible amount.
- HRA funds for single coverage is \$500; Couple, parent-plus, and family coverage receive \$1,000.
- HRA funds remaining in Maximum Choice plan will roll to this plan if elected.
- HRA funds reduce the deductible by 40% and the maximum out-of-pocket by 20%.
- Co-insurance – 85% plan paid and 15% member paid for both medical and Rx.
- All pharmacy spend is included in the deductible and out-of-pocket maximums.
- For more information, go to <https://personnel.ky.gov/KEHP/2014%20Benefits%20Grid.pdf>

# 2014 KEHP Options

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## LivingWell Preferred Provider Organization (PPO)

- LivingWell Promise is required.
- 2<sup>nd</sup> highest actuarial value plan.
- Similar plan to 2013 Optimum PPO.
- Plan covers 100% in-network preventive care.
- Features co-pays for most medical services and all pharmacy services.
- Pharmacy copays are 3 tier with \$10/35/55 for 30 day supply and \$20/70/110 for 90 day supply.
- Medical co-insurance – 80% plan paid and 20% member paid.
- For more information, go to <https://personnel.ky.gov/KEHP/2014%20Benefits%20Grid.pdf>

# 2014 KEHP Options

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## Standard Preferred Provider Organization (PPO)

- No LivingWell Promise required.
- Similar plan to 2013 Standard PPO.
- Plan covers 100% in-network preventive care.
- Features co-pays for some medical services.
- Co-pays on pharmacy are subject to a minimum and maximum amount (Min \$10 – Max \$25).
- Medical and Rx co-insurance – 70% plan paid and 30% member paid.
- For more information, go to <https://personnel.ky.gov/KEHP/2014%20Benefits%20Grid.pdf>

# 2014 KEHP Options

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## Standard Consumer Driven Health Plan (CDHP)

- No LivingWell Promise required.
- New plan for 2014.
- Plan covers 100% in-network preventive care.
- HRA funds for single coverage is \$250; Couple, parent-plus, and family coverage receive \$500.
- HRA funds reduce the deductible and the maximum out-of-pocket.
- HRA funds remaining in Maximum Choice plan will roll to this plan if elected.
- Medical and Rx co-insurance – 70% plan paid and 30% member paid.
- All pharmacy spend is included in the deductible and out-of-pocket maximums.
- Default plan option if no health insurance or waiver election is made during open enrollment.
- Employee premiums are the lowest of all options.
- For more information, go to <https://personnel.ky.gov/KEHP/2014%20Benefits%20Grid.pdf>



# Resources

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- KEHP.KY.GOV
  - Kentucky Group Health Insurance Board
    - » Monthly Board Meetings
    - » Annual Report
  - Historical information about KEHP
- LIVINGWELL.KY.GOV
  - KEHP wellness programs